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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Approval of Amendments to Long-Term Natural Gas Transportation Contracts with Ruby Pipeline, to Establish and Confirm Procedures for Exercising Step-Down Capacity and Evergreen Contract Rights, and for Authorization for Bifurcated Management and Cost Recovery of Electric Fuels' Redwood Path Arrangements.

(U39G and U39E)

Application No. 20-08-____

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 G AND U 39 E)
FOR APPROVAL OF AMENDMENTS TO LONG-TERM NATURAL GAS
TRANSPORTATION CONTRACTS WITH RUBY PIPELINE, TO ESTABLISH AND
CONFIRM PROCEDURES FOR EXERCISING STEP-DOWN CAPACITY AND
EVERGREEN CONTRACT RIGHTS, AND FOR AUTHORIZATION FOR
BIFURCATED MANAGEMENT AND COST RECOVERY OF ELECTRIC FUELS'
REDWOOD PATH ARRANGEMENTS**

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REDWOOD PATH ARRANGEMENTS**

I. INTRODUCTION

In compliance with Decision (D.) 08-11-032 and Commission General Order 96-B, General Rule 5.2, PG&E respectfully files this Application seeking California Public Utilities Commission (CPUC or Commission) approval for five requests related to the long-term natural gas transportation arrangements approved in D.08-11-032:

(1) Request for approval of Amendments to the long-term natural gas transportation contracts with Ruby Pipeline executed on May 19, 2020 between Ruby Pipeline, LLC and PG&E (Amended Ruby Contracts) on behalf of PG&E's Electric Fuels Department (Electric Fuels) and PG&E's Core Gas Supply Department (Core Gas Supply or CGS);

(2) Request for authorization for PG&E to discontinue particular documentation requirements required by D.08-11-032 as it is no longer applicable in light of the Amended Ruby Contracts;

(3) Request for authorization that PG&E may seek approval of future amendments to the Amended Ruby Contracts via a Tier 3 Advice Letter;

(4) Request for approval of PG&E's proposed procedures for exercising annual step-down capacity and evergreen contract rights for Electric Fuels and Core Gas Supply; and

(5) Request for authorization for bifurcated management and cost recovery of PG&E's Electric Fuels' Redwood Path arrangements through new procedures.

PG&E's filing consists of this Application; the Prepared Testimony in support of the Application will be served separately.

II. BACKGROUND

In Decision D.08-11-032, the Commission approved long-term, firm transportation arrangements on the Ruby Pipeline between PG&E and Ruby Pipeline, LLC (Ruby Contracts) for its bundled electric customers served by Electric Fuels and natural gas core customers served by Core Gas Supply and a similar transportation arrangement for matching downstream capacity on PG&E's intrastate gas transmission on the Redwood Path Pipeline (the Redwood Path) for Electric Fuels (Redwood Contract).

The Ruby Contracts contain several provisions aimed to balance risks of a long-term contract. First, the Ruby Contracts contained a "Most-Favored-Nations" clause that guaranteed PG&E would receive the lowest rate offered to another similarly situated gas shipper during the initial 15-year period of the Ruby Contracts (MFN Clause). Second, the Ruby Contracts provide PG&E the right to reduce its contract capacity by 20 percent each year beginning in 2022, the 11th year of the contract (Step-Down Rights). Lastly, at the end of the initial 15-year term (2026), PG&E has the right to annually renew the Ruby Contracts for up to ten (10) one-year extensions (Evergreen Rights).

In approving the Ruby Contracts, the Commission established several requirements. First, D.08-11-032 requires PG&E to submit an annual certification that the MFN Clause has not been triggered.^{1/} Second, D.08-11-032 requires PG&E to file an application to establish procedures for obtaining Commission approval (or pre-approval) of exercising, or not exercising

^{1/} D.08-11-032, Ordering Paragraph (OP) 3.vi.

the Step-Down Rights and Evergreen Rights.^{2/} Lastly, the Commission established that Electric Fuels' Redwood Contract would only receive cost recovery to the extent that Electric Fuels had matching upstream capacity on the Ruby Pipeline.^{3/}

In late 2018, credit rating agencies downgraded PG&E's credit rating, leading to a contract interpretation dispute between PG&E and Ruby Pipeline, LLC concerning certain provisions of the Ruby Contracts. PG&E and Ruby Pipeline, LLC resolved their dispute through the Amended Ruby Contracts in May 2020.

General Rule 5.2 of Commission General Order 96-B requires an application for contract amendments, unless otherwise directed by the Commission. Further, D.08-11-032 also requires PG&E to file an application to establish processes for obtaining Commission approval (or pre-approval) to exercise Step-Down Rights and Evergreen Rights. For administrative efficiency, PG&E consolidates its request for approval of the Amended Ruby Contracts and for approval of procedures to exercise Step-Down Rights and Evergreen Rights into this single Application. PG&E also includes three additional requests in this Application that are intertwined with the Amended Ruby Contracts and D.08-11-32, which authorized the Ruby Contracts.

III. EXECUTIVE SUMMARY

This Application requests Commission authorization of the following:

A. Approval of Amended Ruby Contracts

PG&E requests that the Commission approve the Amended Ruby Contracts. The Amended Ruby Contracts resolve the dispute with Ruby Pipeline LLC in a reasonable manner for PG&E and its customers, and avoid the cost and risk of litigation.

B. Authorization to Eliminate Documentation Requirements

If the Commission approves the Amended Ruby Contracts, PG&E requests that certain annual reporting requirements be eliminated because the Amended Ruby Contracts eliminate the need for these reports.

^{2/} Id., OPs 3.viii and 3.ix.

^{3/} Id., OP 3.x.

C. Approval to Use A Tier 3 Advice Letter Process for Amendments to the Amended Ruby Contracts

PG&E requests a more administratively efficient process for obtaining Commission approval of future amendments to the Amended Ruby Contracts. A Tier 3 Advice Letter process would provide the Commission and intervenors a reasonable and comprehensive opportunity to lodge concerns, obtain responses to questions, and provide timely approval of PG&E's request while minimizing Commission, intervenor, and PG&E resources.

D. Approval of Tier 1 Advice Letter Process for Step-Down Decision and Exercise of Evergreen Rights as Required by D.08-11-032

PG&E requests that the Commission approve its proposed expedited and standard Tier 1 Advice Letter processes to obtain Commission approval of (i) its annual decision to exercise Step-Down Rights, or retain, capacity on the Ruby Pipeline and (ii) its annual decision to exercise its Evergreen Rights.

1. Procedure to Request Approval for Step-Down Rights

PG&E proposes two sets of procedures, each for Electric Fuels and Core Gas Supply. The procedures involve initial consultation with the Procurement Review Group (PRG) (for Electric Fuels) or CGS Stakeholders^{4/} (for Core Gas Supply) followed by PG&E's submission of an expedited Tier 1 Advice Letter requesting the Commission's approval of PG&E's annual decision regarding its Step-Down Rights. The proposed expedited Tier 1 Advice Letter procedures are appropriate because PG&E's exercise of its Step-Down Rights hold low risk to customers, are consistent with similar approval processes, provide opportunity to parties to provide feedback, and ensure a timely decision. These procedures, if approved, would first be used to seek approval of the first Step-Down Rights decisions, which go into effect on November 1, 2022, and notice of which must be provided to Ruby Pipeline, LLC by May 1, 2022.

^{4/} Stakeholders include: Public Advocates Office and The Utility Reform Network (if it elects to participate). Energy Division and Legal Division will also be invited to participate.

2. Procedure to Request Approval for Exercise of Evergreen Rights

Similar to the procedures described above relating to PG&E's Step-Down Rights, PG&E proposes to consult with the PRG (for Electric Fuels) or CGS Stakeholders (for Core Gas Supply), followed by an expedited Tier 1 Advice Letter to the Commission requesting approval of its decision to extend or not to extend the Amended Ruby Contracts for an additional year. This procedure is appropriate and reasonable for the same reasons given above for the requested procedures relating to PG&E's Step-Down Rights. PG&E's exercise of its Evergreen Rights involves low risk to customers and the procedure itself is consistent with similar approval processes, provides opportunity for party feedback, and ensures a timely decision.

E. Approval of Request to Separate Cost Recovery of Redwood Path Arrangements from Ruby Pipeline Arrangements

PG&E requests elimination of the condition ordered in D.08-11-032 in which cost recovery is approved only for Redwood Path capacity that matches Electric Fuels' Ruby Pipeline capacity. However, Electric Fuels' needs for Redwood Path may be distinct from its needs on the Ruby Pipeline, and the Redwood Path contract does not have equal Step-Down Rights. The loss of cost recovery for the unmatched capacity on Redwood Path, regardless of whether retaining that capacity is in the best interest for customers, may put Electric Fuels in the position of selling and assigning the unmatched Redwood Path capacity only to seek repurchasing of that capacity pursuant to the Bundled Procurement Plan to mitigate cost recovery risks. Instead, PG&E requests the Commission's approval of a procedure for Electric Fuels to obtain Commission approval and continue cost recovery for the unmatched Redwood Path capacity. Electric Fuels would consult the PRG and file an expedited Tier 1 Advice Letter on an annual basis with its proposal to retain or market for sale some or all of the unmatched Redwood Path capacity. If the decision is to sell and assign some or all of the unmatched Redwood Path capacity, Electric Fuels will provide the electronic solicitation results to the PRG and the Advice Letter will request to recover the "make whole" costs, if the rate for assignment is less than the contract rate. This procedure presents an efficient mechanism for enabling Electric Fuels to

manage its pipeline capacity needs for Redwood Path independently from the Ruby Pipeline, while providing for Commission and stakeholder input.

IV. OVERVIEW OF PREPARED TESTIMONY

PG&E provides the following testimony (“Prepared Testimony”) in support of this Application in three “chapters,” which will be served separately in connection with this Application, and such Prepared Testimony is incorporated in this Application:

1. The testimony in Chapter I discusses the history and policy supporting PG&E’s application, the significance of the Ruby Pipeline to the CPUC’s priorities, the background and significant terms of the Ruby Contracts, Step-Down Rights under the Ruby Contracts, and cost recovery mechanisms for the Ruby Pipeline and Redwood Path. The testimony in Chapter I also explains the provisions of the Ruby Contracts that minimize risk to customers.

2. The testimony in Chapter II explains the history and background of the Amended Ruby Contracts, and the reasons why approval of them is reasonable and in the best interests of PG&E’s customers.

3. The testimony in Chapter III discusses the proposed procedures for PG&E’s Electric Fuels and CGS departments to obtain CPUC approval of its annual decision to exercise (or not to exercise) the Step-Down Rights and Evergreen Rights under the Amended Ruby Contracts. The testimony also explains the justification for PG&E’s request for independent management of Electric Fuels’ Redwood Path capacity and proposes procedures to obtain CPUC approval and cost recovery for retaining or assigning Redwood Path capacity that exceeds Electric Fuel’s Ruby capacity.

V. INFORMATION REQUIRED BY THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE AND OTHER AUTHORITY (RULE 2.1)

PG&E files this Application pursuant to Sections 451, 454, 454.5, and 701 of the Public Utilities Code of the State of California, the Commission’s Rules of Practice and Procedure, and prior decisions, orders and resolutions of the Commission, including, but not limited to D.08-11-032, D.04-09-022, D.15-10-010 and General Rule 5.2 of Commission General Order 96-B.

A. Legal Name and Principal Place of Business (Rule 2.1(a))

The legal name of the Applicant is Pacific Gas and Electric Company. PG&E's principal place of business is 77 Beale Street, San Francisco, California, 94105.

B. Correspondence, Communications, and Service (Rule 2.1(b))

All correspondence, communications, and service of papers regarding this Application should be directed to:

Kristin D. Charipar, Counsel
Law Department
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Telephone: (415) 973-2289
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Email: Gregory.Holisko@pge.com

C. Proposed Categorization (Rule 2.1(c))

PG&E proposes that this Application be categorized as a "ratesetting" proceeding.

D. Need for Hearings (Rule 2.1(c))

PG&E does not anticipate that hearings will be necessary to address this Application.

PG&E proposes a procedural schedule in Section G below.

E. Issues to be Considered (Rule 2.1(c))

PG&E proposes that the following issues be considered in this proceeding:

1. Whether the Amended Ruby Contracts are reasonable and should be approved;
2. Whether the annual certification on the MFN Clause required by D.08-11-032 is necessary if the Amended Ruby Contracts are approved;
3. Whether it is reasonable for the Commission to grant PG&E authorization to file future amendments to the Amended Ruby Contracts through a Tier 3 Advice Letter process;
4. Whether the proposed procedures for exercising Step-Down Rights for Electric Fuels and CGS are reasonable and should be approved;
5. Whether the proposed procedures for exercising Evergreen Rights for Electric Fuels and CGS are reasonable and should be approved; and

6. Whether the request to bifurcate cost recovery of Redwood Path capacity for Electric Fuels from the contract capacity on Ruby pipeline via new procedures is reasonable and should be approved.

F. Relevant Safety Consideration (Rule 2.1(c))

In D.16-01-017, the Commission amended Rule 2.1(c) requiring an applicant to identify all relevant safety considerations implicated by an Application to which the assigned Commissioners and presiding officer could refer to during the proceeding. Because PG&E's requests in this Application are focused on narrow contract terms, regulatory procedures, and cost recovery, PG&E believes that safety considerations are not directly implicated by this Application.

G. Procedural Schedule (Rule 2.1(c))

PG&E does not believe hearings will be necessary for this Application because the requests therein are not likely to raise disputed facts. PG&E anticipates that this Application primarily raises policy questions, which do not require hearings. For this reason, PG&E proposes the following procedural schedule, but will consider adjustments as necessary based on Responses and Protests at the Prehearing Conference:

Application Filed	August 28, 2020
Responses/Protests	+30 days
Reply to Responses/Protests (if needed)	+10
Prehearing Conference	Last Week in October 2020
Intervenor Comments on Application and Testimony	November 20, 2020
PG&E Reply Comments	December 4, 2020
Proposed Decision	January 2021
Commission Decision	February 2021

H. Articles of Incorporation (Rule 2.2)

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Restated Articles of Incorporation, effective June 22, 2020, was filed with the Commission on July 1, 2020, with PG&E's

Application 20-07-002. These articles are incorporated herein by reference pursuant to Rule 2.2 of the Commission's Rules.

I. Authority to Increase Rates (Rule 3.2)

Because this Application does not seek authority to increase rates, or to implement changes that would result in increased rates, this rule does not apply.

J. Balance Sheet and Income Statement (Rule 3.2(a)(1))

Because this Application does not seek authority to increase rates, or to implement changes that would result in increased rates, this rule does not apply.

K. Statement of Presently Effective Rates (Rules 3.2(a)(2))

Because this Application does not seek authority to increase rates, or to implement changes that would result in increased rates, this rule does not apply.

L. Statement of Proposed Increases or Changes in Rates (Rule 3.2(a)(3))

Because this Application does not seek authority to increase rates, or to implement changes that would result in increased rates, this rule does not apply.

M. Summary of Earnings (Rule 3.2(a)(5) and (6))

Because this Application does not seek authority to increase rates, or to implement changes that would result in increased rates, this rule does not apply.

N. Type of Rate Change Requested (Rule 3.2(a)(3) and (10))

Because this Application does not seek authority to increase rates, or to implement changes that would result in increased rates, this rule does not apply.

O. Notice to Governmental Entities (Rule 3.2(b)) and Publication (Rule 3.2(c))

Because this Application does not seek authority to increase rates, or to implement changes that would result in increased rates, this rule does not apply.

P. Notice to Customers (Rule 3.2(d))

Because this Application does not seek authority to increase rates, or to implement changes that would result in increased rates, this rule does not apply.

Q. Service of Notice of Application

PG&E is serving this Application and its Prepared Testimony on the service list in A.07-12-021, A.13-06-011, R.04-01-025, A.17-11-009, and A.20-02-009, and those listed below:

CPUC Energy Division:

Michele Kito, Nick Dahlberg, Jean Spencer, and Christina Ly

Public Advocates Office (Cal PA):

Michael Tan, Renee Guild, Elizabeth La Cour, and Scott Logan

VI. REQUEST FOR ORDERS

PG&E requests that the Commission issue appropriate orders:

1. Approving the Amended Ruby Contracts;
2. Eliminating PG&E's obligation to annually serve and file a certificate attesting to its use of the MFN clause in the Ruby contracts;
3. Authorizing PG&E to file a Tier 3 Advice Letter for any future amendments to the Ruby Contracts;
4. Establishing and confirming procedures for PG&E's annual requests to Step-Down capacity and exercise its Evergreen contract rights for Electric Fuels and Core Gas Supply;
5. Authorizing bifurcated management and cost recovery of Electric Fuels' Redwood Path arrangements through a new procedure;
6. Granting such additional relief as the Commission may deem proper.

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VII. CONCLUSION

PG&E respectfully requests that the Commission approve its Application.

Respectfully Submitted,

CAROLYN SAMIERE
KRISTIN D. CHARIPAR

By: /s/ Kristin D. Charipar
KRISTIN D. CHARIPAR

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Dated: August 28, 2020

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

VERIFICATION

I, Fong Wan, declare:

I am an officer of Pacific Gas and Electric Company, a corporation organized and existing under the laws of California, and I have been authorized to make this verification on its behalf.

I have read the foregoing *Application of Pacific Gas and Electric Company (U 39 G and U 39 E) For Approval of Amendments to Long-Term Natural Gas Transportation Contracts with Ruby Pipeline, to Establish and Confirm Procedures for Exercising Step-down Capacity and Evergreen Contract Rights, and For Authorization for Bifurcated Management and Cost Recovery of Electric Fuels' Redwood Path Arrangements* on file herein and know the contents thereof. The same is true of my own knowledge, except as to those matters which are therein stated on information and belief, and, as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed at San Francisco, California on August 28, 2020.



Fong Wan